

The BEST NEWS

Baccalaureate Education System Trust * State of Tennessee Treasury Department * Fall 2001 * Volume 5, No. 1



Steve Adams
State Treasurer

Dear BEST Participant,

The Fall semester is in full swing and I hope your student has adjusted well to the rigors and excitement of campus life whether at the elementary, high school or college level.

The BEST program is in its second successful year of making payments to colleges and universities on behalf of a BEST beneficiary. I am pleased to report that 267 payments for \$465,246 have been made to colleges and universities around the

country. Parents report that participation in this program was truly a wise decision. The recent increases in tuition and fees at our public colleges and universities further supports the value of participating in the BEST Prepaid Program. The BEST program continues to be a viable option for parents interested in saving early for higher education expenses.

In this issue we highlight recent Federal legislation and its impact on BEST and all 529 programs. These ground breaking changes include tax-free withdrawals from your BEST account; more generous limits for Room and Board; more flexible transfers among Section 529 plans; and, an expansion to the "Member of the Family" provision for rollovers and transfers. This issue will also bring you up to date on State and Board changes made to enhance participation in our program.

I hope you will find this issue of The BEST News informative. I encourage you to share it with a friend. If you have any questions, we are available to assist you toll-free at 1-888-486-BEST, 532-8056 (Nashville) or through our website www.treasury.state.tn.us/best.

Sincerely,

Steve Adams
Chairman, BEST
Board of Trustees

Federal Tax Act Allows Tax-Free Withdrawals and Transfers

Effective January 1, 2002, qualified withdrawals from BEST accounts will be exempt from federal income taxes. This new benefit is a direct result of the Economic Growth and Tax Relief Reconciliation Act of 2001.

Previously, earnings from qualified tuition plans ("529 plans") were tax-deferred and then taxed at the beneficiary's rate upon withdrawal. After December 31, 2001, earnings on any distribution used to pay for a beneficiary's qualified higher education expenses will be exempt from federal income tax.

"Making the earnings from these programs tax exempt provides a powerful incentive for families to save for the future cost of college," said State Treasurer Steve Adams, Chairman of the BEST Board of Trustees.

The Act will also allow more flexible transfers among Section 529 plans. Beginning January 1, 2002, account owners will be able to transfer funds from one Section 529 plan to another for the same beneficiary once every 12 months without incurring federal income tax or penalty.

For more information about this Act, visit www.collegesavings.org or contact a BEST Customer Service Representative at 1-888-486-BEST or 532-8056 in Nashville.

New Legislation Works for You

During the 2001 session of the Tennessee General Assembly, legislation was enacted to enhance the BEST program and clarify issues previously raised by both current and potential participants.

Public 203 clarifies that not only an individual, but also a firm, organization, partnership, association, church or trust may assist students in saving for college tuition by entering into a tuition contract with the BEST Program. The new legislation also ensures that the purchaser of a BEST contract has sole control over any refunds from a BEST account. Such refunds may result from units remaining upon completion of a degree, non-use of tuition units, or death or permanent disability of the child/beneficiary. Refunds may only be awarded to the refund recipient designated on the purchaser's contract. The refund recipient on a contract can only be the purchaser or the beneficiary.

At its June meeting, the BEST Board of Trustees increased the account balance limit for BEST accounts. The maximum contribution limit per account was increased from \$100,000 to \$235,000.

New Unit Price

The unit price increased August 1, 2001 to \$34.50 per unit and will remain in effect through December 31. On January 1, 2002 the price will increase to \$36.85 per unit. If you currently purchase units each month through ACH or payroll deduction, you can adjust your amounts to reflect the new price. All changes must be made in writing. You may send changes via Fax to (615) 734-6467 or mail: BEST, P.O. Box 198786, Nashville, TN 37219-8786.

"Member of the Family" Rule Expanded

Beginning January 1, 2002, the term "Member of the Family" will also include first cousins of the beneficiary. This will allow account owners to (1) change the beneficiary of an account to the beneficiary's first cousin or (2) transfer an amount from an account held for one beneficiary to another account held for that beneficiary's first cousin without incurring federal income tax or additional tax.

Customer Service Corner

Below are some of the most frequently asked questions received by your BEST Customer Service Representatives at **1-888-486-BEST** or **532-8056** in the Nashville area.

Q What educational expenses can I pay for with my BEST units?

A BEST units can be used to pay for tuition and mandatory fees, on-campus room and board, off-campus housing, and educational supplies such as art supplies, lab fees, and computers.

Q I just moved to a new city. How do I notify BEST so that my address can be changed in the system?

A The **Purchaser** of the contract must send a written, **signed** request to BEST of any address changes for the Purchaser, Purchaser Appointee, Beneficiary, or Beneficiary Appointee that should be made to the contract. Requests may be mailed to BEST at P.O. Box 198786, Nashville, TN 37219-8786 or faxed to (615) 734-6467.

Q How do I set up an Automatic Bank Transfer (ACH) with BEST?

A First, request an ACH Request Form from BEST. Then, fill it out and mail it back to us along with a voided check or deposit slip from the account you wish to have the money taken out of. (A voided check is preferred due to discrepancies in deposit slip information.) If at any time you wish to increase, decrease or terminate the amount of money coming from your ACH, simply send BEST a **signed** note stating the changes you need made. If you change bank accounts but wish to leave the amount of your ACH withdrawal the same, simply send BEST a voided check from the new account. Requests may be mailed to BEST at P.O. Box 198786, Nashville, TN 37219-8786 or faxed to (615) 734-6467.

Account Information Only a Touch Away

Tennessee's BEST Prepaid Plan account holders can now check their current account balance via the BEST hotline. Simply dial 1-888-486-BEST (2378) to select Tennessee's BEST Prepaid Plan. Next, press 1 and then 3 to inquire on the financial transactions of your account. The system will then ask you to enter your contract number followed by the # key. Finally, enter the last four digits of your beneficiary's social security number followed by the # key. The account balance will follow. This easy, convenient option is just another way that Tennessee's BEST Program works to serve you.

Spring 2002 Tuition Payments

Keep an eye on your mailboxes! Use Forms for the Spring 2002 academic period will be mailed in early November 2001. All use forms should be completed and received by BEST **no later than** December 15, 2001. Please get your use forms in by this date in order to ensure a timely payment to your child's college or university. If you have already allocated funds for the Spring 2002 semester on an earlier use form, there is no need to complete another one. If you have questions, a BEST representative will be happy to help you. Just call 1-888-486-BEST or 532-8056 in the Nashville area.

Visit Our Web Site

www.treasury.state.tn.us/best/

2001-2002 Tuition Units Guide

This guide provides an example of the number of units it might take to cover tuition, mandatory fees, and room and board at various colleges based on Fall 2001 tuition rates.

2001- 2002 Guide to Using Tuition Units			
University	Units Needed For 1 Year		
	Tuition & Fees	Room	Total & Board
Tennessee public four-year universities			
	*WAT	AVG	
Average of TN 4-year universities	100	129	229
Austin Peay	95	115	210
East Tennessee	93	130	223
Middle Tennessee	95	124	219
Tennessee State	89	118	207
Tennessee Tech	91	144	235
Univ. of Memphis	104	122	226
UT-Chattanooga	97	160	257
UT-Knoxville	113	134	247
UT-Martin	98	112	210
*Weighted Average Tuition			
Tennessee community and technical colleges			
Avg. of TN community and tech. colleges	48	n/a	48
TN Technology Centers	37	n/a	37
Tennessee private universities (sample)			
Carson-Newman	350	123	473
Lipscomb University	312	171	483
Fisk University	293	155	448
Lambuth University	281	139	420
Lee University	219	104	323
LeMoyne-Owen	254	86	340
University of the South	631	178	809
Vanderbilt University	752	258	1,010
The table above shows approximately the number of tuition units needed to pay for college costs if your child was attending college this school year (2001-2002). The standard double occupancy dorm room and meal plan rates apply. <u>This table should only be used as a guide.</u> Check with your college or university for actual tuition, fees, room and board rates. Tuition units may be used at any accredited college or university in the United States.			

BEST Coupons Available Upon Request

BEST tuition units make a great gift for a beneficiary of any age. The Tennessee BEST Program even has convenient deposit coupons available upon request. Simply call 1-888-486-BEST or 532-8056 in the Nashville area to request coupons for your BEST account.



The BEST News is published semiannually to keep participants of the Baccalaureate Education System Trust informed of program enhancements and other program activities. Please send your comments and/or suggestions regarding article topics for future issues to: Natalie Kilgore, Editor, Baccalaureate Education System Trust, P.O. Box 198786, Nashville, TN 37219-8786. The information in this newsletter is subject to legislative change and judicial interpretation. It does not supersede nor restrict procedures or authority established under state or federal law. Statutory authority for BEST is contained in T.C.A., Title 49, Chapter 7, Part 8. The Tennessee Department of Treasury operates all programs and activities free from discrimination on the basis of sex, race or any other classification protected by federal or Tennessee state law. Individuals with disabilities who may require an alternative communication format for this or other Treasury Department publication, should contact the Treasury ADA coordinator at 615-741-2956.